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072332
Libya

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TELEGRAM

EXCISE

13 MAY 70 00 28z

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ACTION: Amembassy TRIPOLI PRIORITY

INFO: Amembassy LONDON PRIORITY

STATE

LIMDIS

DEPARTMENT OF STATE A/CDC/MR

REVIEWED BY qj DATE 8/7/81

PORTIONS DENIED AS INDICATED

London for Assistant Secretary ~~Newsom~~

1. Esso

[redacted] briefed Director AF/N James Blake and DeptOffs on current Libyan petroleum situation along following lines: Esso gravely concerned over LARG hard line in current posted price negotiations.

Presence Soviet technicians in

Libya also disquieting. (Esso said LARG currently conducting Soviets on tour of Esso Marsa Brega gas installation.)

2.

[redacted] Also noted "curious coincidence" that LARG claim of \$1.6 billion for posted price increase retroactive to 1967 is roughly equivalent to \$1.5 billion US oil company cumulative

DRAFTED BY: RS
AF/N:RSSuddarth:am

DRAFTING DATE 5/12/70 TEL. EXT. 21723

APPROVED BY: qj
AF/N - Mr Blake

CLEARANCES:
E/FSE - Mr Clark

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investment in Libya.

3. In response to query by DeptOffs, Esso indicated it would oppose current demand for 44 cent increase (which would not include 35 cent "Suez premium") and might shut down completely if forced to give LARG oil at cost. [REDACTED]

[REDACTED] per barrel posted price increase was about maximum Esso would give. [REDACTED] LARG posted price demands generally followed analysis para 2 Tripoli 960 with regard to tax reference price; [REDACTED] declined to comment on DeptOff's question whether Libyan crude in fact enjoyed 18 cent or more per barrel price advantage delivered in Rotterdam vis-a-vis Persian Gulf and Nigerian crude. B4 B4 B4

4. Esso speculated that, should LARG decide to press full or partial nationalization, LARG would probably do so on basis alleged failure oil company comply with LARG interpretation Libyan petroleum law concerning posted price issue. [REDACTED] B4

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5. Esso made following observations regarding Libyan possibility market nationalized oil:

(a) Tanker situation - 70% either owned or under long-term contract oil company majors; 15% under short-term contract to majors, leaving only 15% hypothetically available of which one half needed by independent oil companies elsewhere in world. This would leave 7 - 1/2% effectively available to LARG which could haul only 1/3 of 3.6 million BPD current LARG production. (This assumes no companies now in Libya would allow tankers under their contract to haul Libyan crude.) Esso estimates that Libyan crude requires 850 T-2 tanker-equivalents to haul Libyan crude, although [REDACTED] this insufficient to haul peak loads. B4

(b) [REDACTED] Libyan shortfall for Western European B4 market could be made up after 90 days through increase Persian Gulf sources provided one million BPD from US production could be made available and that all pipelines are in operation. (Tapline was recently broken and Syria has refused to allow its repair.)

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Depe believes assumption of one million BPD US exports to Europe may not be justified and with Tapline shutdown a Libyan shutdown might soon cause European rationing. Esso claimed shortfall could be made up by Saudi Arabian and Iranian crude after six months.

Gen [REDACTED] asked AE/N Country Director Blake what US Government capable of doing in current serious situation but admitted that he and his staff recognized USG without great leverage. Thereby, Blake mentioned traditional USG policy of ^{companies} standing aside from disputes between ~~company~~ and LARG but willing-ness to act in special circumstances as conveyer of information in interest facilitating mutually satisfactory settlement before either side was locked into position on which compromise became impossible. Noted this policy had appeared generally acceptable to companies in past view their different interests and general desire not/be identified with USG in politically sensitive areas. Blake also noted that although USG access to RCC has been very limited, possibility USG approach by LARG not rpt not excluded.

[REDACTED]

B4

B5

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7. In event LARG moves against oil companies, Esso expressed its desire consult with USG prior to submission any official US diplomatic note, particularly concerning question of compensation claims.

8. Comment: Esso's concern with current situation fully evident during meeting [REDACTED] and through subsequent calls to Department by senior company offices. Continental has also been in contact with Department for latter's reading of situation, as has Occidental. All company elements seemed impressed by toughness of Libyan stance and by character of Maghrabi whose knowledge of industry they respect. [REDACTED]

[REDACTED]

[REDACTED]

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